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REVIEWS AND NEW BOOKS

General Works, Theory and Its History

The Economics of Enterprise. By HERBERT JOSEPH DAVENPORT.
(New York: The Macmillan Company. 1913. Pp. xvi,
544. \$2.25.)

Since Professor Davenport published his *Value and Distribution* in 1908, economic theorists have been hoping that he would make a systematic statement of his positive views. For that formidable volume was far more critical than constructive in character. That he was working on this task and that his thoughts were taking unconventional directions has been indicated from time to time by brilliant papers in various economic journals. At last, he has woven all these papers together, supplied the necessary connective tissue, and so made an exceptionally interesting contribution to economic theory.

In "the present competitive order," Mr. Davenport holds that economics is the "science that treats phenomena from the standpoint of price" (p. 25). The central and unifying problem is: How are values or, better, prices determined? The "new point of view" from which he attacks this problem is summed up in the last chapter (p. 517):

It is . . . superlatively important . . . to recognize that a complete acceptance of [the] private and acquisitive point of view is the only procedure possible in the analysis and classification of the phenomena of a society organized upon lines of individual activity for private gain.

All that is most characteristic in Mr. Davenport's system results from his choice of this viewpoint. In keeping with it, every individual is conceived to have his own peculiar scale of utilities as a consumer, his own peculiar scale of the gain-bringing capacities of producers' goods as an entrepreneur, and his own peculiar scale of discounting future services as an investor in durable goods. From these scales, in conjunction with his estimates of what his money would bring him if laid out on other goods at the prevailing prices, every individual derives his peculiar scale of price offers. In the price problem there is no such thing as social utility (p. 97), no such thing as specific productive efficiency (p. 136), and no such thing as social time-discount (p. 233). Prices are not proportionate either to the labor or the pains or the feeling sacrifices of production on the one side, or to the service or utility

or gratification in consumption on the other side, but are merely the equating point[s] between the different reservation prices, based on costs in money terms, on the supply side, and the paying dispositions of consumers, as expressed in money terms, on the demand side (p. 240).

From this viewpoint, again, the costs which count are entrepreneur costs in dollars and cents; these costs consist largely of foregoing other opportunities for gain, and are "incapable of direct or indirect reduction to any possible denominator of pain" (p. 117). Productivity means simply contributory to private acquisition. Capital includes "all durable goods yielding an income susceptible of a price expression" (p. 135). There is no reason for distinguishing between land and capital, and no justification for excluding rent from cost of production (ch. 12). Rent is the hire of any given piece of capital; interest is the same hire expressed in a different form—hundredths paid per annum upon the money value of the property (p. 132). The different factors of production for which entrepreneurs pay prices are not three or four, but legion (chs. 11 and 22). Even the individual entrepreneur cannot estimate the specific gain attributable to any one of these factors, but he can and does estimate what gain he expects from each as one element in his total complex of factors (p. 149).

This selection from Mr. Davenport's doctrinal conclusions indicates the ruthless consistency with which he reduces economic phenomena to terms of individual activities in pursuit of gain. But while he regards this pecuniary analysis as indispensable, he also regards it as "both circuitous and superficial" (p. 117). In explaining the demand schedule for any given good, he supposes the existence of a whole system of prices for other goods (pp. 113, 114). In analyzing cost of production he ascribes a large role to opportunity costs—that is, he assumes a host of adjustments already made between the costs and selling prices of other goods (ch. 8). How can he escape from this circle, which explains prices by assuming prices? What are the fundamental factors?

Mr. Davenport answers his question with a neat formula:

The *ultimate* forces in the problem are . . . (1) the human desires for products, affording motive for the aggregate social product of goods to be exchanged against one another, . . . (2) the productive capacities of human beings and the instrumental equipment at their disposal (p. 143).

While he repeats this formula in several passages with variations to suit the context (pp. 118, 192, 435), he declines to follow out

the leads it offers. He explicitly refuses to study "human desires"—though he does cast stones at hedonism (pp. 97-102). "It is enough for all economic purposes that these desires exist . . ." (p. 230). Nor does he study men's "productive capacities" or their "instrumental equipment." While he points out that pecuniary competition is "merely a present institution" (p. 20), he offers no explanation of it. His task is to study "the situation as it actually is, with small attention to its genesis . . ." (p. 26). Further, Mr. Davenport offers no theory of the relation between his "ultimate forces" and his money prices. He speaks of the latter as representing the former, as being the guise in which they appear, etc., and he also mentions buyers' and sellers' surpluses frequently. But of the connections between the use of money and men's desires, capacities, and equipment he gives no account. Even more conspicuous by its absence from his discussion is the relation between his acquisitive individuals and the community in which they somehow co-exist.

The book may be characterized, then, as a keen study of the interrelations among prices in a society where every individual is seeking his own gain, with all the fundamental factors in the process taken for granted. In other words, it is a treatise upon pecuniary logic, without a theory of valuation, and without an inquiry into the relations between pecuniary logic and human nature.

Within these limits Mr. Davenport confines himself so long as he is explaining economic processes. But in the last two chapters he essays a new task and quite consistently changes his viewpoint. The new task is to show how the régime of pecuniary competition affects society. Heretofore he has insisted upon explaining everything from the viewpoint of private acquisition; hereafter he insists upon judging everything from the viewpoint of public welfare. And his verdict upon the pecuniary organization of economic life is harsh. He conjectures that less than one third of the private property in this country is "earned wealth" (p. 522); the rest has been acquired from "capitalized bounty of nature," "capitalized privilege," and "capitalized predation" (pp. 526, 527). For the low incomes of the poor "there is only one possible line of explanation, the prodigal incomes of the rich" (p. 526).

Unhappily, economics in the past has supplied "a system of apologetics" for the régime that produces these ill results, primarily because it has confused private acquisition with social

productivity. Mr. Davenport's aim is "to furnish to progressive social workers that ultimate basis in economic theory which is theirs by right of truth" (p. 528). He is not able to set forth "the economics of a new political and social program" (p. vi); but he does give an illuminating practical suggestion: most of the serious problems in a competitive society "sum up into one great and inclusive problem, how to limit the receipt of private income to the rendering of social service" (p. 416).

Advertisements state that Mr. Davenport plans to use this book as a text in his own classes. The typographical make-up, the frequent repetitions, and the striving after picturesque phrases may all be excused by this design—though not the misprints which mar so many pages. It is doubtful, however, whether undergraduate students not familiar with the views which are criticised will understand the book. Its most interested readers will be economists steeped in theory. They may be startled by Mr. Davenport's doctrines; but they will admire the intellectual vigor and the courageous self-reliance revealed by his work.

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The Theory of Social Revolutions. By BROOKS ADAMS. (New York: The Macmillan Company. 1913. Pp. vii, 240. \$1.25.)

Whether calling out violent protest or grateful recognition of a new and helpful point of view, anything that Mr. Brooks Adams writes is bound to be of interest and to demand serious attention. There are many details in this little volume on the theory of social revolutions which tempt one to a more extended discussion than is possible within the limits of a review. Three general lines of thought, however, require special mention—namely, his theory of revolution, his review of the action of American courts as political or legislative bodies, and his inferences as to the future.

Beneath a theory of revolutions must lie a consideration of the nature of a political constitution. This consideration is not given explicit form in Mr. Adams' book, but is implicit throughout. It comes very close to the theory advanced in Lasalle's famous essay "*Ueber Verfassungswesen.*" Indeed, it was only a few years ago that the faculty of the Boston University Law School felt called upon to issue a formal statement representing the views of the faculty as to the nature of law under a constitutional government,